

# 2013 Hankook Tire

## 3rd Quarter Result

2013.10.28

**The information in this presentation is based upon management forecasts and reflects prevailing conditions and our views as of this date, all of which are accordingly subject to change. In preparing this presentation, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources of which was provided by us or which was reviewed by us.**

**The information in this presentation does not take into account the effects of a possible transaction or transactions involving an actual or potential change of control, which may have significant valuation and other effects.**

## **2013 3Q Key Messages**

### **Financial Highlights**

**1. Performance : Tire demand and sales by region**

**2. Competitiveness & Stability**

**: Production, Raw Material Cost, Balance Sheet**

**Appendix.**

**Decrease of sales and operating margin due to less working days**

**Build our first U.S. Plant in Clarksville, Tennessee**

**Expanding Premium OE business with Mercedes Benz and BMW**

**Upgrading R&D capacity with  
new Tire Proving Grounds and Engineering Center in S.Korea**

## Hankook Tire 2013 3Q Global Business Results

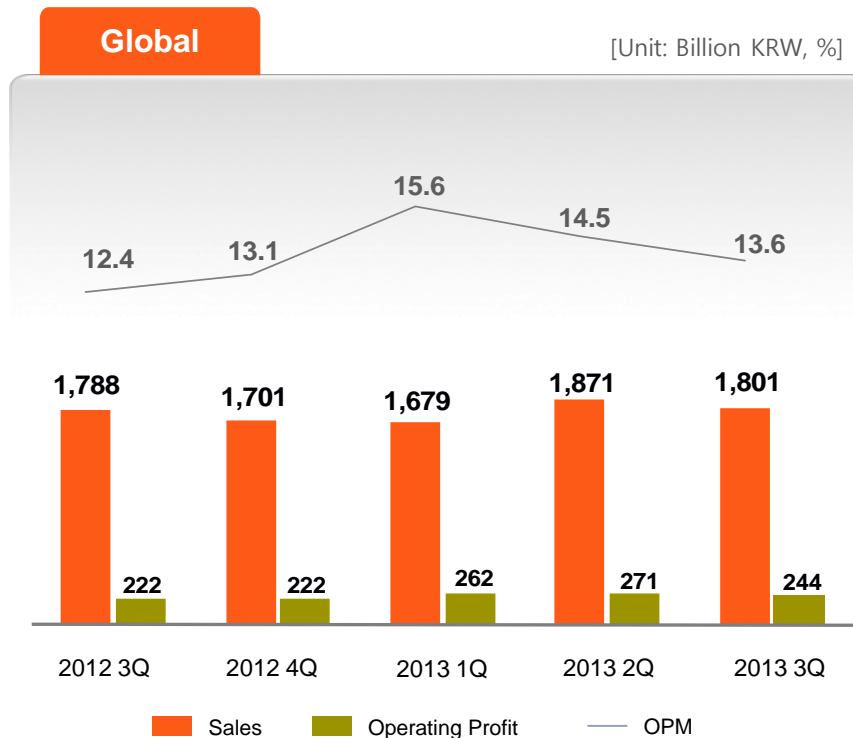
※ ISIN Code : KR7161390000

[unit : 100 Mil KRW, %]

	<u>2012 3Q (A)</u>	<u>2013 2Q (B)</u>	<u>2013 3Q (C)</u>	<u>C/B</u>	<u>C/A</u>
<b>Sales</b>	<b>17,876</b>	<b>18,706</b>	<b>18,014</b>	<b>96.3%</b>	<b>100.8%</b>
<b>COGS</b>	<b>12,457</b> <i>(69.7%)</i>	<b>12,564</b> <i>(67.2%)</i>	<b>12,151</b> <i>(67.5%)</i>	<b>96.7%</b>	<b>97.5%</b>
<b>Operating Profit</b>	<b>2,221</b> <i>(12.4%)</i>	<b>2,713</b> <i>(14.5%)</i>	<b>2,442</b> <i>(13.6%)</i>	<b>90.0%</b>	<b>109.9%</b>
<b>Ordinary Profit</b>	<b>2,286</b> <i>(12.8%)</i>	<b>2,755</b> <i>(14.7%)</i>	<b>2,468</b> <i>(13.7%)</i>	<b>89.6%</b>	<b>108.0%</b>
<b>EBITDA</b>	<b>3,213</b> <i>(18.0%)</i>	<b>3,819</b> <i>(20.4%)</i>	<b>3,627</b> <i>(20.1%)</i>	<b>95.0%</b>	<b>112.9%</b>

※ 2012 1Q : Before spin-off, IFRS, Consolidated Total

- Sales decreased due to summer vacation and holidays in Korea and China plant



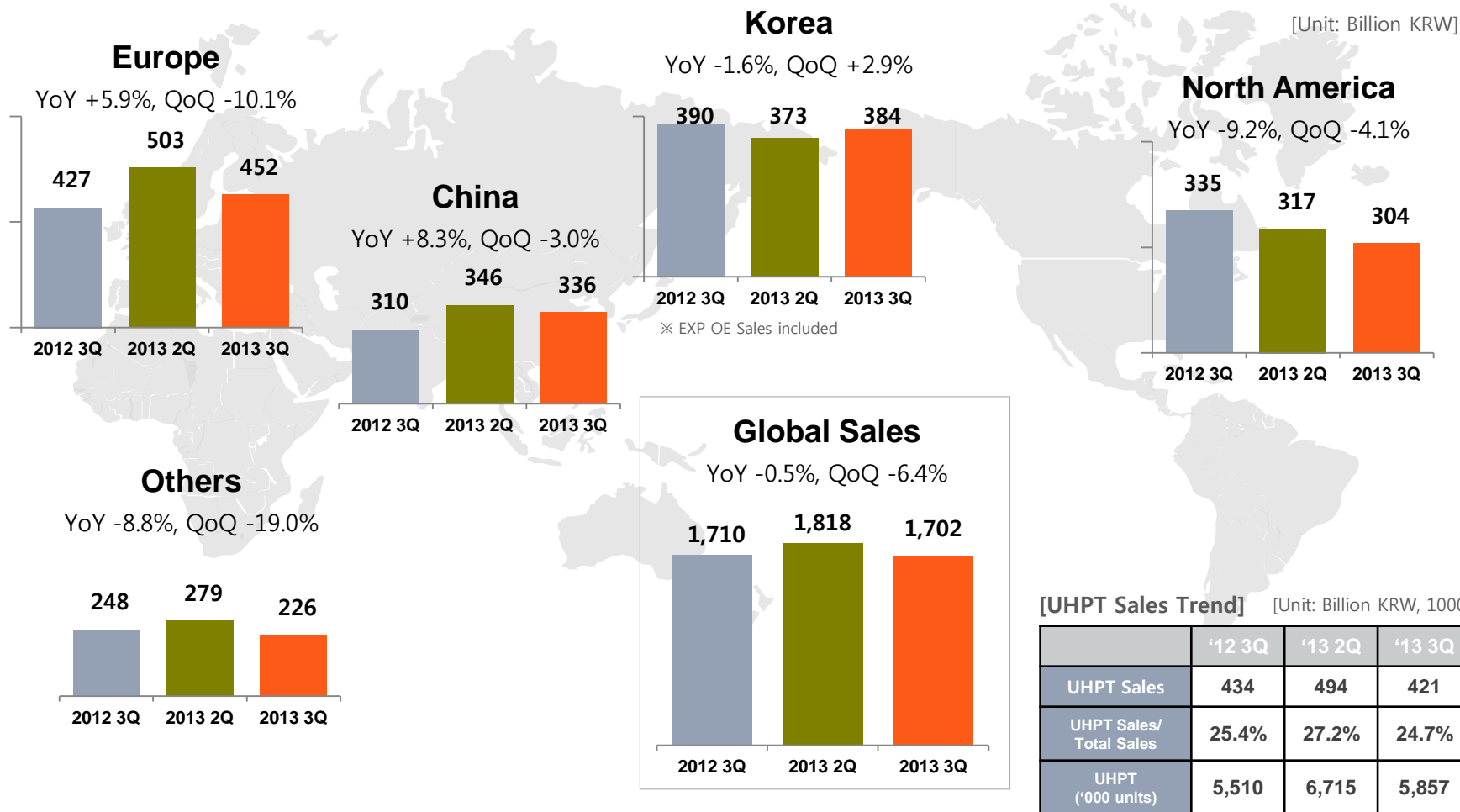
- **2013 3Q Review**

Demand is recovering, but less working days caused sales volume decreased on Q3.

Raw material price was favorable, but decrease of export volume from Korea/China plant and increase of depreciation cost deteriorated our operating margin.

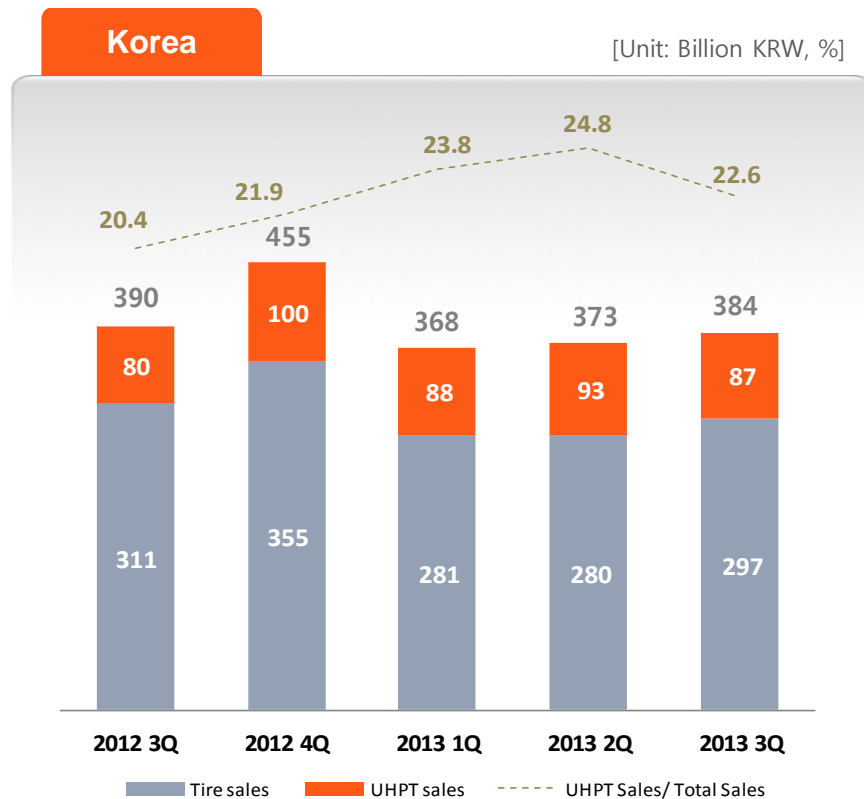
# (1) Performance – Sales by region

- Despite of volume increase, total sales remained flat. Due to decreased ASP which is derived from weak raw material.

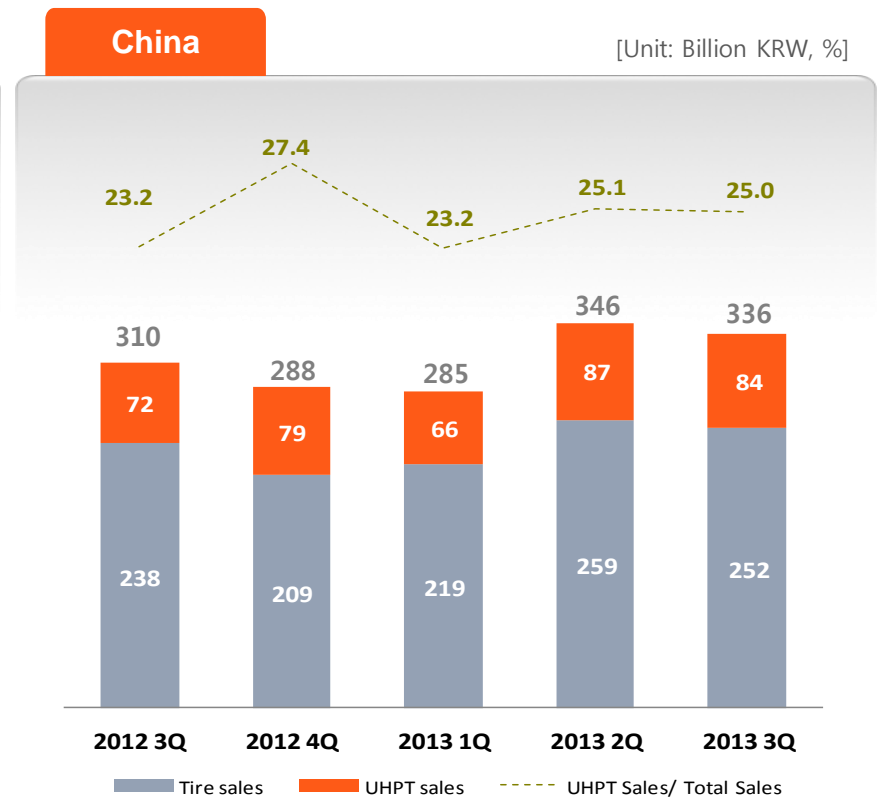


# (1) Performance – Sales by region

- RE sales was strong, while Korean car maker's strike resulted slow OE sales in Korea. Low raw material cost and competition unfavorably effected our product price in China.



※ The sales and units were calculated by aggregating units sold by each production facility  
EXP OE Sales included

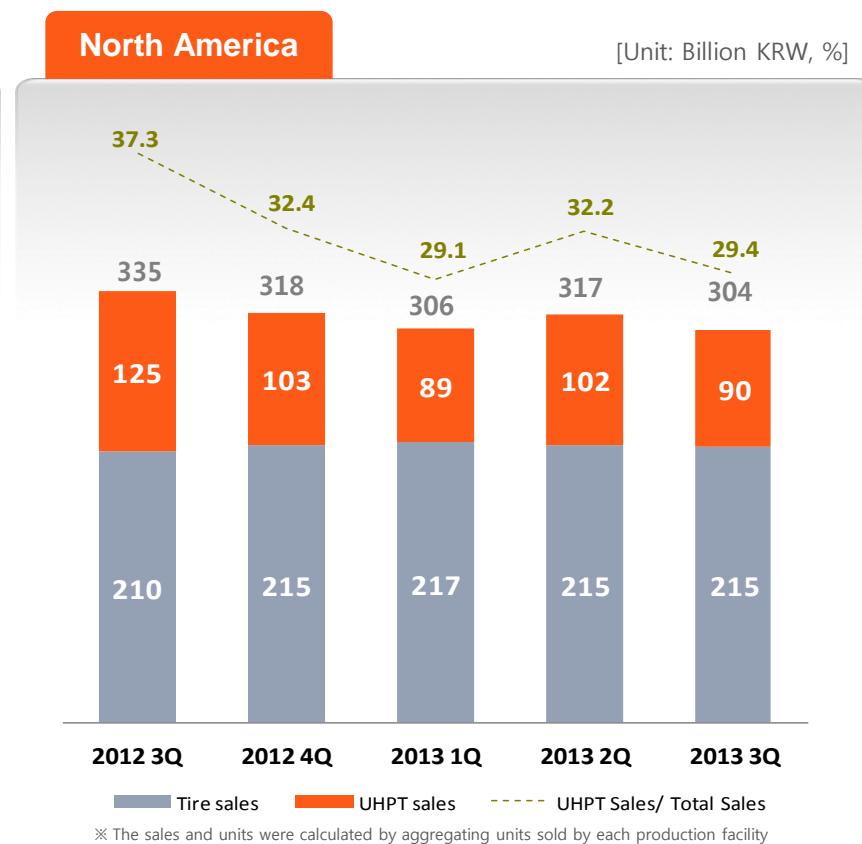
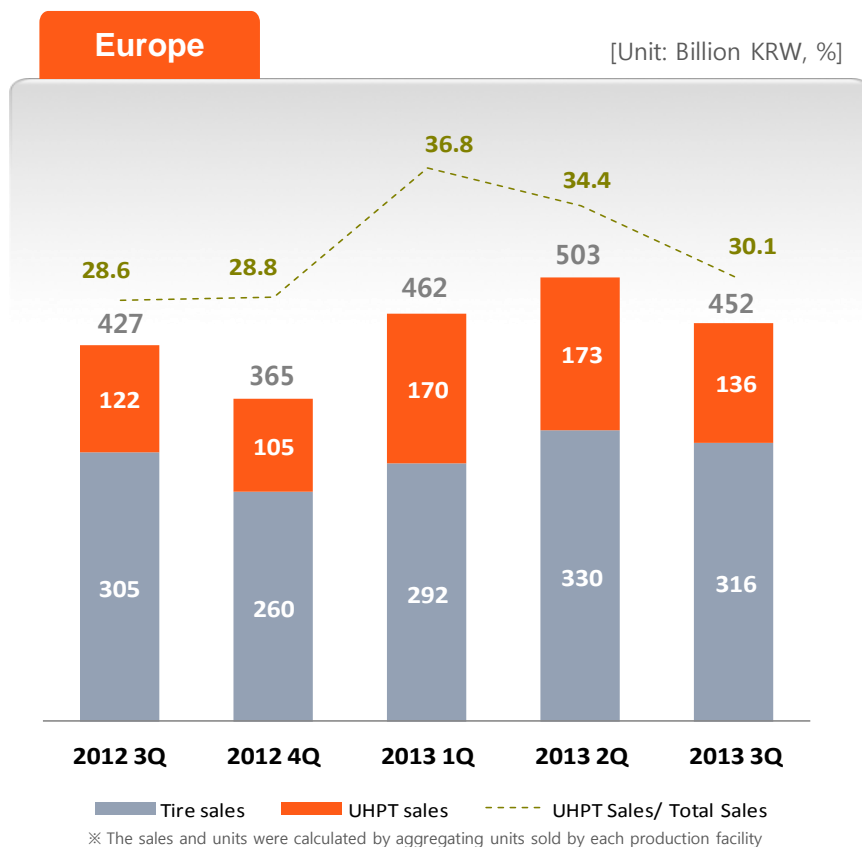


※ The sales and units were calculated by aggregating units sold by each production facility



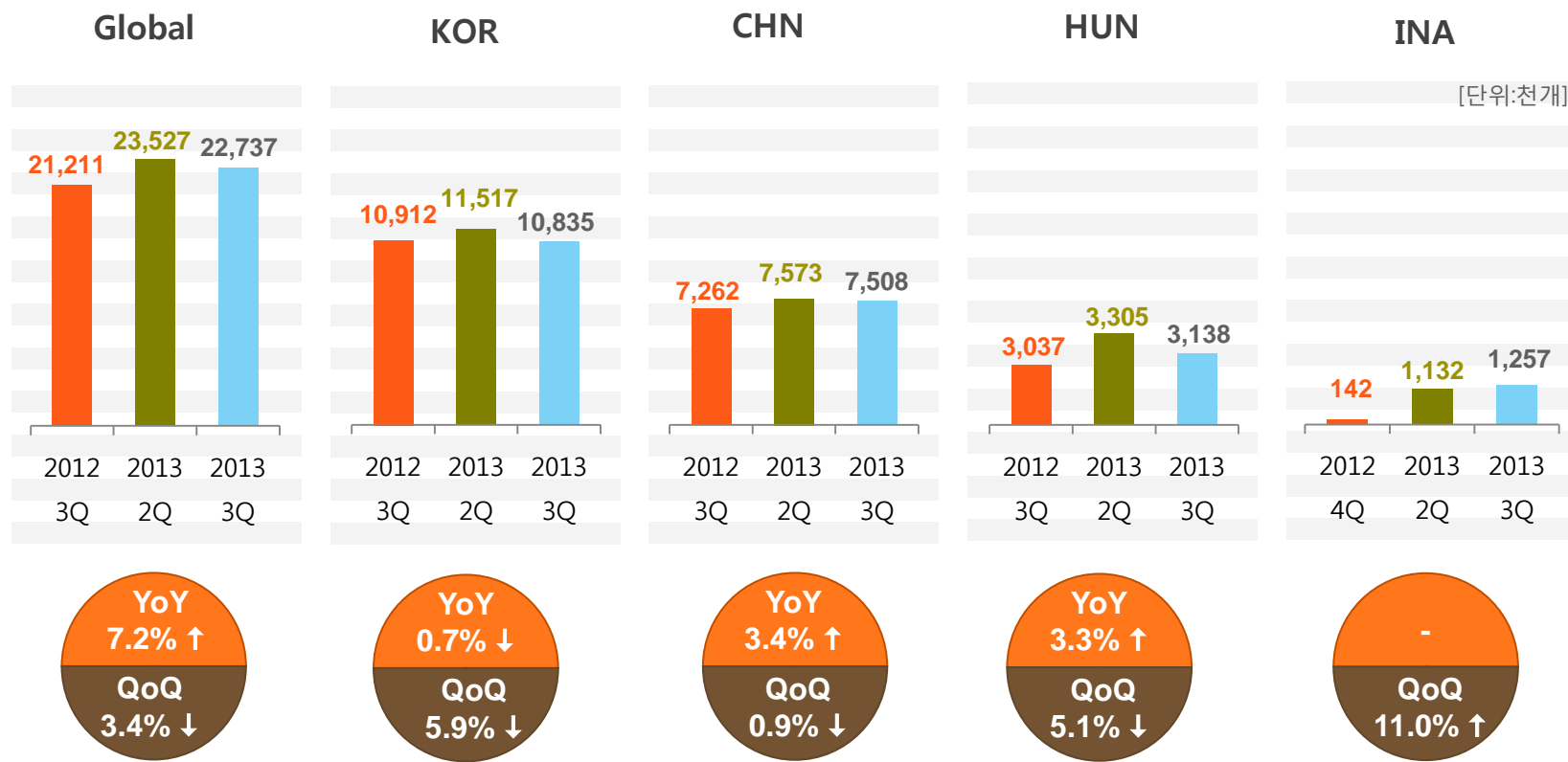
# (1) Performance – Sales by region

- Signs of slight demand recovery in both Europe and N.America, but shipping delays from Korea, China plant resulted Europe sales down. Also import tires from Chinese makers caused strong competition environment in U.S.



## (2) Competitiveness & Stability : Production

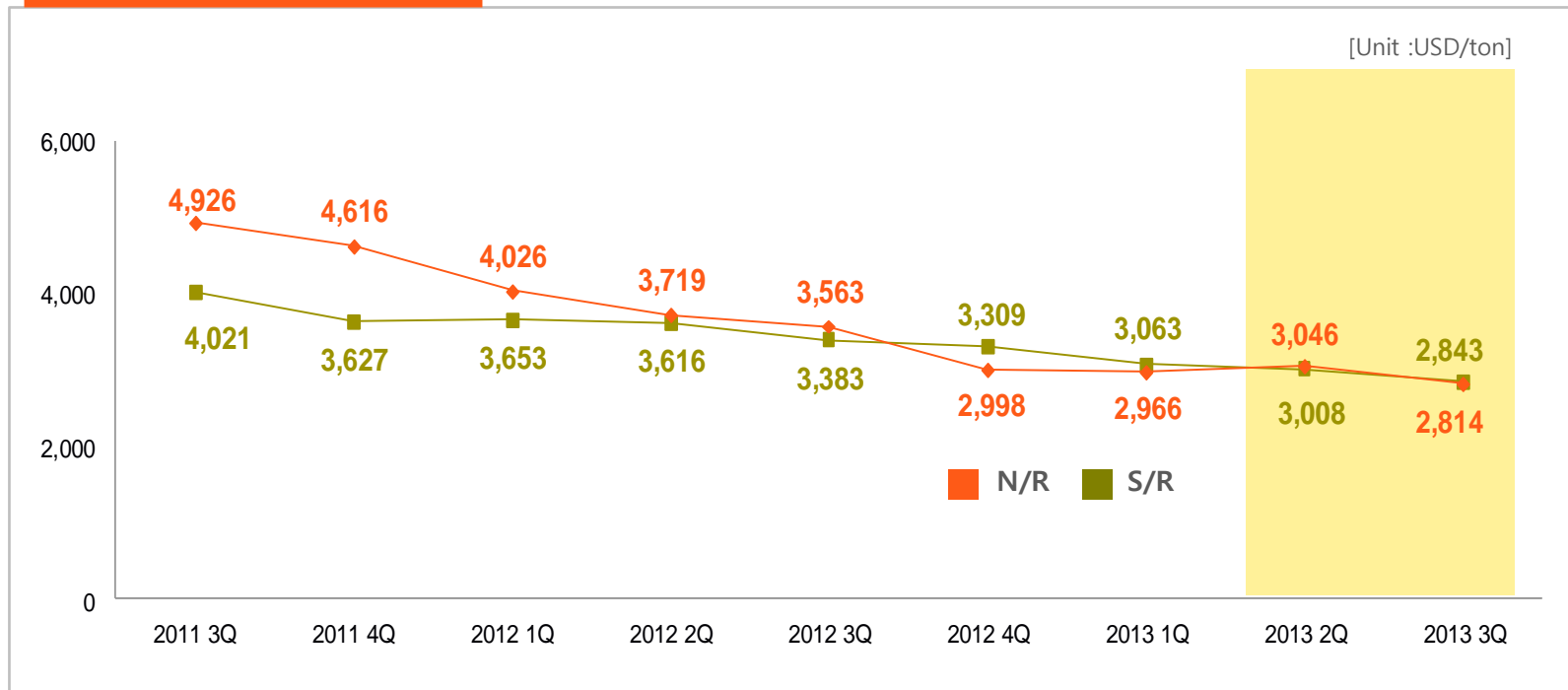
- Volume decreased due to less working days
  - Summer vacation, holidays in Korea and China caused QoQ volume decrease



## (2) Competitiveness & Stability : Raw Material Cost

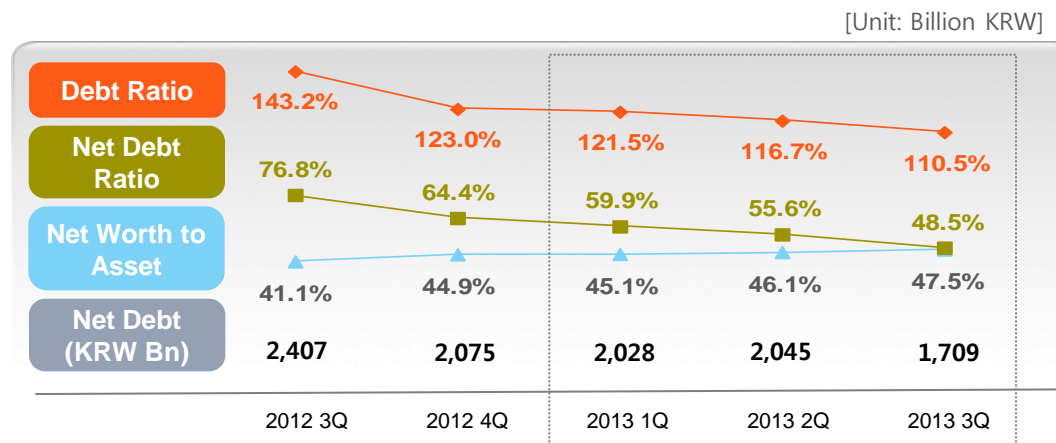
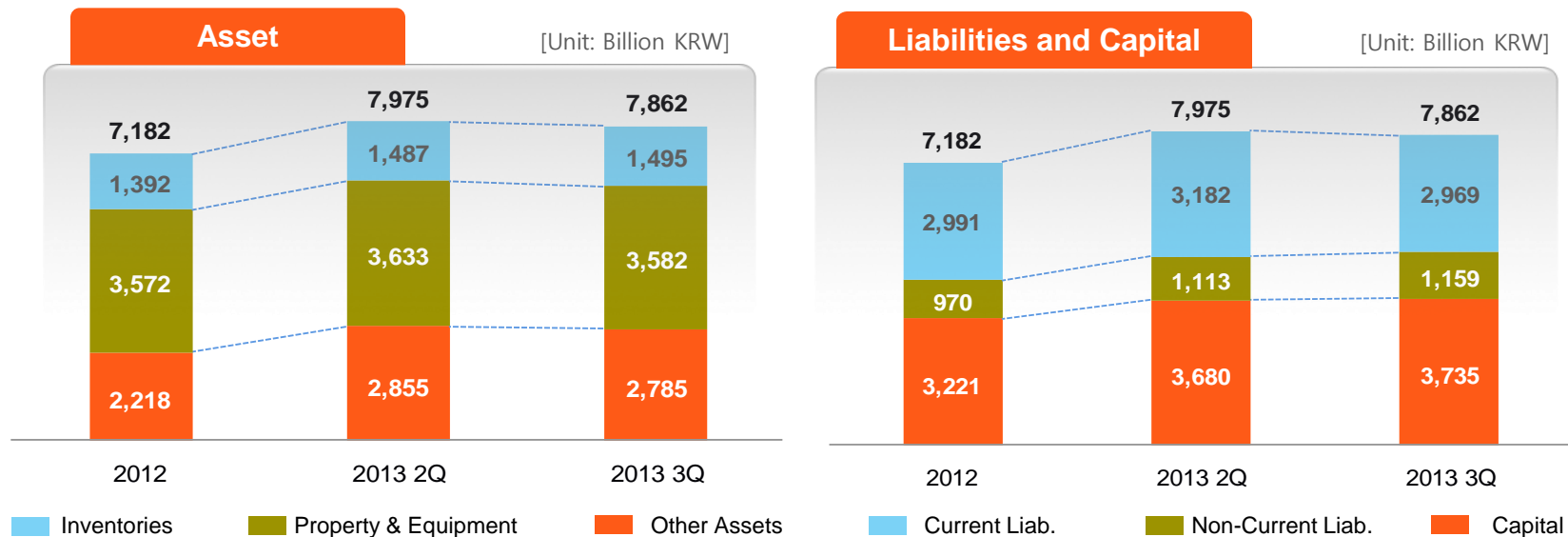
- Stable raw material price is still favorable to our operating profit

Raw Material Cost Trend



※ Average price, Korea only

## (2) Competitiveness & Stability : Consolidated B/S



※ Sep. 2012 ~ : HKT after spin-off, HKTWW not included

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# Appendix. F/S – Consolidated B/S

[unit: 100 Mil KRW]

	2012		2013 3Q		Diff.	
	Amt.	%	Amt.	%	Amt.	%
<b>Assets</b>	<b>71,824</b>	<b>100.0%</b>	<b>78,618</b>	<b>100.0%</b>	<b>6,794</b>	<b>9.5%</b>
Current Assets	33,369	46.5%	40,326	51.3%	6,957	20.8%
cashable assets	6,207	8.6%	9,979	12.7%	3,772	60.8%
Accounts receivable	11,844	16.5%	12,969	16.5%	1,125	9.5%
Inventories	13,917	19.4%	14,952	19.0%	1,035	7.4%
Non-current Assets	38,456	53.5%	38,293	48.7%	-163	-0.4%
Tangible assets	35,716	49.7%	35,819	45.6%	103	0.3%
<b>Liabilities</b>	<b>39,610</b>	<b>55.1%</b>	<b>41,270</b>	<b>52.5%</b>	<b>1,660</b>	<b>4.2%</b>
Current Liabilities	29,911	41.6%	29,685	37.8%	-226	-0.8%
Non-Current Liabilities	9,699	13.5%	11,585	14.7%	1,886	19.4%
<b>Shareholders' Equity</b>	<b>32,215</b>	<b>44.9%</b>	<b>37,348</b>	<b>47.5%</b>	<b>5,134</b>	<b>15.9%</b>
Debt	26,955		27,069			
Net debt	20,748		17,089			
<b>Debt Ratio</b>		<b>123.0%</b>		<b>47.5%</b>		
<b>Net Worth to Assets</b>		<b>44.9%</b>		<b>45.8%</b>		

[unit: 100 Mil KRW]

	2012		2013 3Q		Diff.	
	Amt.	%	Amt.	%	Amt.	%
<b>Assets</b>	<b>43,755</b>	<b>100.0%</b>	<b>45,970</b>	<b>100.0%</b>	<b>2,221</b>	<b>5.1%</b>
Current Assets	19,942	45.6%	22,349	48.6%	2,413	12.1%
cashable assets	3,004	6.9%	7,101	15.4%	2,397	51.0%
Account receivable	10,576	24.2%	9,792	21.3%	-871	-8.2%
Inventories	4,430	10.1%	5,073	11.0%	643	14.5%
Non-current Assets	23,813	54.4%	23,621	51.4%	-192	-0.8%
Tangible assets	14,731	33.7%	14,846	32.3%	-271	-1.8%
<b>Liabilities</b>	<b>16,983</b>	<b>38.8%</b>	<b>16,134</b>	<b>35.1%</b>	<b>-1,129</b>	<b>-6.5%</b>
Current Liabilities	14,192	32.4%	13,017	28.3%	-1,416	-9.8%
Non-Current Liabilities	2,791	6.4%	3,117	6.8%	288	10.2%
<b>Shareholders' Equity</b>	<b>26,772</b>	<b>61.2%</b>	<b>29,836</b>	<b>64.9%</b>	<b>3,349</b>	<b>12.6%</b>
Debt	9,304		8,495			
Net debt	4,612		1,394			
<b>Debt Ratio</b>		<b>65.2%</b>		<b>54.1%</b>		
<b>Net Worth to Assets</b>		<b>60.5%</b>		<b>64.9%</b>		

[unit : 100 Mil RMB]

	2012		2013 3Q		Diff.	
	Amt.	%	Amt.	%	Amt.	%
<b>Assets</b>	<b>16,230</b>	<b>100.0%</b>	<b>17,415</b>	<b>100.0%</b>	<b>1,185</b>	<b>7.3%</b>
Current Assets	6,604	40.7%	7,847	45.1%	1,242	18.8%
Account receivable	4,334	26.7%	5,341	30.7%	1,007	23.2%
Inventories	1,649	10.2%	1,476	8.5%	-174	-10.5%
Non-current Assets	9,625	59.3%	9,568	54.9%	-57	-0.6%
Tangible assets	7,834	48.3%	7,678	44.1%	-156	-2.0%
<b>Liabilities</b>	<b>10,024</b>	<b>61.8%</b>	<b>10,498</b>	<b>60.3%</b>	<b>474</b>	<b>4.7%</b>
Current Liabilities	8,783	54.1%	8,576	49.2%	-207	-2.4%
Non-Current Liabilities	1,241	7.6%	1,921	11.0%	681	54.9%
<b>Shareholders' Equity</b>	<b>6,206</b>	<b>38.2%</b>	<b>6,917</b>	<b>39.7%</b>	<b>711</b>	<b>11.5%</b>



[unit : 100 Mil HUF]

	2012		2013 3Q		Diff.	
	Amt.	%	Amt.	%	Amt.	%
<b>Assets</b>	<b>242,813</b>	<b>100.0%</b>	<b>252,202</b>	<b>100.0%</b>	<b>9,389</b>	<b>3.9%</b>
Current Assets	145,593	60.0%	157,908	62.6%	12,314	8.5%
Account receivable	60,590	25.0%	64,053	25.4%	3,464	5.7%
Inventories	34,185	14.1%	24,972	9.9%	-9,213	-27.0%
Non-current Assets	97,219	40.0%	94,294	37.4%	-2,925	-3.0%
Tangible assets	97,179	40.0%	94,245	37.4%	-2,934	-3.0%
<b>Liabilities</b>	<b>173,692</b>	<b>71.5%</b>	<b>159,761</b>	<b>63.3%</b>	<b>-13,931</b>	<b>-8.0%</b>
Current Liabilities	126,357	52.0%	106,762	42.3%	-19,596	-15.5%
Non-Current Liabilities	47,335	19.5%	52,999	21.0%	5,665	12.0%
<b>Shareholders' Equity</b>	<b>69,121</b>	<b>28.5%</b>	<b>92,441</b>	<b>36.7%</b>	<b>23,320</b>	<b>33.7%</b>

[unit : K USD]

	2012		2013 3Q		Diff.	
	Amt.	%	Amt.	%	Amt.	%
<b>Assets</b>	<b>369,160</b>	<b>100.0%</b>	<b>402,189</b>	<b>100.0%</b>	<b>33,029</b>	<b>8.9%</b>
Current Assets	71,989	19.5%	88,383	22.0%	16,394	22.8%
Cashable assets	24,268	6.6%	5,283	1.3%	-18,985	-78.2%
Account receivable	2,285	0.6%	16,366	4.1%	14,081	616.3%
Inventories	16,347	4.4%	39,920	9.9%	23,572	144.2%
Non-current Assets	297,171	80.5%	313,806	78.0%	16,635	5.6%
Tangible assets	294,591	79.8%	311,573	77.5%	16,982	5.8%
<b>Liabilities</b>	<b>254,786</b>	<b>69.0%</b>	<b>292,361</b>	<b>72.7%</b>	<b>37,575</b>	<b>14.7%</b>
Current Liabilities	34,629	9.4%	71,755	17.8%	37,126	107.2%
Non-Current Liabilities	220,157	59.6%	220,606	54.9%	449	0.2%
<b>Shareholders' Equity</b>	<b>114,374</b>	<b>31.0%</b>	<b>109,829</b>	<b>27.3%</b>	<b>-4,546</b>	<b>-4.0%</b>

# Appendix. F/S – Consolidated I/S (IFRS)

[unit: 100 Mil KRW]

	2012 3Q		2013 2Q		2013 3Q		YoY (%)	QoQ (%)
	Amt.	%	Amt.	%	Amt.	%		
<b>Sales</b>	<b>17,876</b>	<b>100.0%</b>	<b>18,706</b>	<b>100.0%</b>	<b>18,014</b>	<b>100.0%</b>	<b>0.8%</b>	<b>-3.7%</b>
COGS	12,457	69.7%	12,564	67.2%	12,151	67.5%	-2.5%	-3.3%
Gross Profit	5,419	30.3%	6,142	32.8%	5,863	32.5%	8.2%	-4.5%
SG&A	3,198	17.9%	3,429	18.3%	3,421	19.0%	7.0%	-0.2%
<b>Operating Profit</b>	<b>2,221</b>	<b>12.4%</b>	<b>2,713</b>	<b>14.5%</b>	<b>2,442</b>	<b>13.6%</b>	<b>9.9%</b>	<b>-10.0%</b>
Other Revenue	763	4.3%	406	2.2%	707	3.9%	-7.4%	74.2%
Other Expense	547	3.1%	495	2.6%	490	2.7%	-10.4%	-1.1%
Financial Revenue	240	1.3%	256	1.4%	61	0.3%	-74.6%	-76.2%
Financial Expense	412	2.3%	124	0.7%	252	1.4%	-38.9%	102.3%
Income Before Income Tax	2,266	12.7%	2,755	14.7%	2,468	13.7%	8.9%	-10.4%
<b>E B I T D A</b>	<b>3,213</b>	<b>18.0%</b>	<b>3,819</b>	<b>20.4%</b>	<b>3,627</b>	<b>20.1%</b>	<b>12.9%</b>	<b>-5.0%</b>
<b>Depreciation</b>	<b>992</b>	<b>5.5%</b>	<b>1,106</b>	<b>5.9%</b>	<b>1,185</b>	<b>6.6%</b>	<b>19.5%</b>	<b>7.2%</b>

# Appendix. F/S – Korea I/S (IFRS)

[unit: 100 Mil KRW]

	2012 3Q		2013 2Q		2013 3Q		YoY (%)	QoQ (%)
	Amt.	%	Amt.	%	Amt.	%		
<b>Sales</b>	<b>10,360</b>	<b>100.0%</b>	<b>10,143</b>	<b>100.0%</b>	<b>9,078</b>	<b>100.0%</b>	<b>-12.4%</b>	<b>-10.5%</b>
COGS	7,393	71.4%	6,801	67.1%	6,399	70.5%	-13.4%	-5.9%
Gross Profit	2,967	28.6%	3,342	32.9%	2,679	29.5%	-9.7%	-19.8%
SG&A	1,865	18.0%	2,046	20.2%	1,938	21.3%	3.9%	-5.3%
<b>Operating Profit</b>	<b>1,102</b>	<b>10.6%</b>	<b>1,296</b>	<b>12.8%</b>	<b>741</b>	<b>8.2%</b>	<b>-32.8%</b>	<b>-42.8%</b>
Other Revenue	859	8.3%	745	7.3%	818	9.0%	-4.8%	9.8%
Other Expense	336	3.2%	347	3.4%	338	3.7%	0.5%	-2.7%
Financial Revenue	75	0.7%	132	1.3%	12	0.1%	-83.3%	-90.6%
Financial Expense	175	1.7%	98	1.0%	71	0.8%	-59.3%	-27.6%
Income Before Income Tax	1,525	14.7%	1,728	17.0%	1,163	12.8%	-23.8%	-32.7%
<b>E B I T D A</b>	<b>1,592</b>	<b>15.4%</b>	<b>1,789</b>	<b>17.6%</b>	<b>1,295</b>	<b>14.3%</b>	<b>-18.7%</b>	<b>-27.7%</b>
<b>Depreciation</b>	<b>490</b>	<b>4.7%</b>	<b>493</b>	<b>4.9%</b>	<b>554</b>	<b>6.1%</b>	<b>13.0%</b>	<b>12.2%</b>

# Appendix. F/S – China I/S (IFRS)

[unit : 100 Mil RMB]

	2012 3Q		2013 2Q		2013 3Q		YoY (%)	QoQ (%)
	Amt.	%	Amt.	%	Amt.	%		
<b>Sales</b>	<b>26.43</b>	<b>100.0%</b>	<b>29.04</b>	<b>100.0%</b>	<b>28.58</b>	<b>100.0%</b>	<b>8.1%</b>	<b>-1.6%</b>
COGS	19.93	75.4%	21.32	73.4%	20.89	73.1%	4.8%	-2.0%
Gross Profit	6.50	24.6%	7.72	26.6%	7.69	26.9%	18.4%	-0.3%
SG&A	3.97	15.0%	4.20	14.4%	4.90	17.1%	23.3%	16.7%
<b>Operating Profit</b>	<b>2.53</b>	<b>9.6%</b>	<b>3.52</b>	<b>12.1%</b>	<b>2.80</b>	<b>9.8%</b>	<b>10.6%</b>	<b>-20.5%</b>
Other Revenue	0.48	1.8%	0.25	0.9%	1.39	4.9%	189.6%	456.0%
Other Expense	0.64	2.4%	0.30	1.0%	0.65	2.3%	1.6%	116.7%
Financial Revenue	0.67	2.5%	1.06	3.6%	0.70	2.4%	4.5%	-34.0%
Financial Expense	1.43	5.4%	0.94	3.2%	1.10	3.8%	-23.1%	17.0%
Income Before Income Tax	1.61	6.1%	3.59	12.4%	3.14	11.0%	94.9%	-12.6%
<b>E B I T D A</b>	<b>3.97</b>	<b>15.0%</b>	<b>5.29</b>	<b>18.2%</b>	<b>4.62</b>	<b>16.2%</b>	<b>9.5%</b>	<b>-12.7%</b>
<b>Depreciation</b>	<b>1.44</b>	<b>5.4%</b>	<b>1.77</b>	<b>6.1%</b>	<b>1.82</b>	<b>6.4%</b>	<b>8.0%</b>	<b>2.8%</b>

# Appendix. F/S – Hungary I/S (IFRS)

[unit : 100 Mil HUF]

	2012 3Q		2013 2Q		2013 3Q		YoY (%)	QoQ (%)
	Amt.	%	Amt.	%	Amt.	%		
<b>Sales</b>	<b>408.91</b>	<b>100.0%</b>	<b>446.62</b>	<b>100.0%</b>	<b>414.84</b>	<b>100.0%</b>	<b>1.5%</b>	<b>-7.1%</b>
COGS	289.69	70.8%	317.65	71.1%	294.34	71.0%	1.6%	-7.3%
Gross Profit	119.22	29.2%	128.97	28.9%	120.50	29.0%	1.1%	-6.6%
SG&A	44.11	10.8%	48.24	10.8%	44.83	10.8%	1.6%	-7.1%
<b>Operating Profit</b>	<b>75.11</b>	<b>18.4%</b>	<b>80.73</b>	<b>18.1%</b>	<b>75.67</b>	<b>18.2%</b>	<b>0.7%</b>	<b>-6.3%</b>
Other Revenue	5.45	1.3%	-9.47	-2.1%	10.34	2.5%	89.7%	-209.1%
Other Expense	10.92	2.7%	8.38	1.9%	1.21	0.3%	-88.9%	-85.6%
Financial Revenue	25.36	6.2%	2.44	0.5%	1.29	0.3%	-94.9%	-47.3%
Financial Expense	12.38	3.0%	-20.34	-4.6%	13.59	3.3%	9.7%	-166.8%
Income Before Income Tax	82.62	20.2%	85.65	19.2%	72.50	17.5%	-12.2%	-15.4%
<b>EBITDA</b>	<b>121.19</b>	<b>29.6%</b>	<b>127.10</b>	<b>28.5%</b>	<b>122.93</b>	<b>29.6%</b>	<b>1.4%</b>	<b>-3.3%</b>
<b>Depreciation</b>	<b>46.08</b>	<b>11.3%</b>	<b>46.38</b>	<b>10.4%</b>	<b>47.25</b>	<b>11.4%</b>	<b>2.5%</b>	<b>1.9%</b>

# Appendix. F/S – Indonesia I/S (IFRS)

[unit : K USD]

	2013 1Q		2013 2Q		2013 3Q		QoQ
	Amt.	%	Amt.	%	Amt.	%	(%)
<b>Sales</b>	<b>19,725</b>	<b>100.0%</b>	<b>52,369</b>	<b>100.0%</b>	<b>64,649</b>	<b>100.0%</b>	<b>23.4%</b>
COGS	19,478	98.7%	40,624	77.6%	48,214	74.6%	18.7%
Gross Profit	247	1.3%	11,744	22.4%	16,435	25.4%	39.9%
SG&A	3,881	19.7%	10,273	19.6%	11,797	18.2%	14.8%
<b>Operating Profit</b>	<b>- 3,634</b>	<b>-18.4%</b>	<b>1,471</b>	<b>2.8%</b>	<b>4,639</b>	<b>7.2%</b>	<b>215.3%</b>
Other Revenue	239	1.2%	24	0.0%	1,132	1.8%	4553.6%
Other Expense	492	2.5%	-305	-0.6%	3,578	5.5%	-1272.4%
Financial Revenue	68	0.3%	1,016	1.9%	-825	-1.3%	-181.2%
Financial Expense	1,366	6.9%	3,182	6.1%	364	0.6%	-88.6%
Income Before Income Tax	-5,185	-26.3%	-365	-0.7%	1,004	1.6%	-375.4%
<b>E B I T D A</b>	<b>151</b>	<b>0.8%</b>	<b>5,257</b>	<b>10.0%</b>	<b>10,504</b>	<b>16.2%</b>	<b>99.8%</b>
<b>Depreciation</b>	<b>3,785</b>	<b>19.2%</b>	<b>3,786</b>	<b>7.2%</b>	<b>5,865</b>	<b>9.1%</b>	<b>54.9%</b>

# Appendix. F/S – Chongqing I/S (IFRS)

[unit : 100 Mil RMB]

	2013 1Q		2013 2Q		2013 3Q		QoQ
	Amt.	%	Amt.	%	Amt.	%	(%)
<b>Sales</b>	<b>104.9</b>	<b>100.0%</b>	<b>242.2</b>	<b>100.0%</b>	<b>264.5</b>	<b>100.0%</b>	<b>9.2%</b>
COGS	117.7	112.2%	225.1	92.9%	241.4	91.3%	7.2%
Gross Profit	-12.8	-12.2%	17.1	7.1%	23.1	8.7%	35.0%
SG&A	25.6	24.4%	40.3	16.6%	42.2	16.0%	4.8%
<b>Operating Profit</b>	<b>-38.4</b>	<b>-36.6%</b>	<b>-23.2</b>	<b>-9.6%</b>	<b>-19.2</b>	<b>-7.2%</b>	<b>-17.4%</b>
Other Revenue	0.7	0.7%	1.3	0.5%	73.4	27.8%	5612.6%
Other Expense	0.1	0.1%	0.9	0.4%	3.5	1.3%	275.5%
Financial Revenue	2.5	2.3%	10.8	4.5%	3.9	1.5%	-64.0%
Financial Expense	12.2	11.6%	12.8	5.3%	13.8	5.2%	8.0%
Income Before Income Tax	-47.5	-45.3%	-24.8	-10.2%	40.9	15.5%	-264.9%